BEST POINT SAVINGS AND LOANS LTD

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2020

Morrison & Associates
(Chartered Accountants,
Tax & Management
Consultants)
2nd Floor, Trinity House
Ring Road East
P. O. Box CT 2890
Cantonments - Accra

The Total Consulting Firm

BEST POINT SAVINGS AND LOANS LTD
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2020

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BEST POINT SAVINGS AND LOANS LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2020

CORPORATE INFORMATION

NAME:	Best Point Savings and Loans LTD	
NATURE OF BUSINESS:	Savings and Loans	
DIRECTORS:	Mr. Isaac Emmil Osei-Bonsu	Board Chairman (Appointed in November 2020)
	Mr. Ernest Ofori Sarpong	Board Chairman (Resigned in September 2020)
	Mr. Ernest Ofori Sarpong	Non-Executive Director
	Mr. Philip Odei Asare	Managing Director (Deceased 20 January 2021)
	Mr. Daniel Asare-Mintah	Non-Executive Director
	Mr. Kwadwo Danso-Dodoo	Non-Executive Director
	Mr. Osei Kwame	Non-Executive Director (Resigned in May 2020)
	Mr. Kennedy Asante Osei	Non-Executive Director (Appointed in November 2020)

SECRETARY: Miss Millicent Odoi
Old Peace FM Building
Mile 7 Junction, Off- Achimota- Ofankor Road
P.Box CT 10191 Cantonments Accra-Ghana

REGISTERED OFFICE: Old Peace FM Building
Mile 7 Junction, Off- Achimota- Ofankor Road
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Tel:+233.303.932.990
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E-mail: info@bestpointgh.com
Website: www.bestpointgh.com

AUDITORS: Morrison & Associates
Chartered Accountants
2nd Floor, Trinity House, Ring Road East
P. O. Box CT 2890 Cantonments- Accra

CORPORATE GOVERNANCE

INTRODUCTION

Good corporate governance practices is at the heart of the company's operations as that underpins the long term success of the company. The Board and management are therefore committed to ensuring that the company upholds all the values and principles of good corporate governance practices in every aspect of its business operations.

The Board has developed a corporate governance framework which guides the way the Company is governed. The guiding principles of the Company's Corporate Governance Framework are informed by the relevant laws and regulations including but not limited to the Banks & Specialised Deposit-Taking Institutions Act, 2016 (Act 930), Non-Bank Financial Institution Act, 2008 (Act 774),the Companies Act, 2019 (Act 992), Bank of Ghana's Corporate Governance Directive (2018) and Fit & Proper Persons Directive (2019). These corporate governance guiding principles are complemented by the Company's vision and values and define the Company's approach to its dealings with customers, shareholders, employees and other stakeholders.

COMPLIANCE STATEMENTS

The Board of Directors confirms that at the date of this report, Best Point Savings and Loans LTD has complied with all the provisions of the Corporate Governance Directive 2018.

The Board also hereby states that:

The Board has independently assessed the effectiveness of the Company's corporate governance process and finds it effective in the achievement of the Company's objectives.

The directors are aware of their responsibilities to Best Point Savings and Loans LTD as persons charged with governance.

Members of the Board during the year 2020 successfully completed a Corporate Governance Certification Training, which was facilitated by the Purple Almond Consulting Services. The training included a session on the responsibilities of directors.

Role of the Board

The Board of Best Point Savings and Loans LTD is legally charged with the responsibility for directing and overseeing the business of the Company including approving and overseeing the implementation of the Company's strategic objectives, risk strategy, corporate governance and corporate values.

THE BOARD OF DIRECTORS

The Board is responsible for effective and efficient corporate governance practices. The Board is also responsible for the protection of the interest of depositors and other stakeholders. The board members are collectively responsible for the overall supervision, direction and long-term success of the Company. There is a clear distinction of the role of the Board and executive directors. Whereas the Board is responsible for the overall governance of the company and serving as a check on the action of executive directors, the executive directors are responsible for the day to day management of the company.

Composition of the Board

The Board is currently made up of six (6) members comprising the Managing Director (who is an executive director) and five non-executive directors.

The Board has a diverse and rich blend of competencies and expertise in the areas of Companying & Finance, General Business, Entrepreneurship, Accountancy, Corporate Governance and Board Room practices.

Board Meetings

The Board holds regular meetings not less than four times in a year. The Board may also hold extraordinary meetings when required. Directors are expected to attend and participate in all Board meetings and meetings of committees on which they serve. In addition, directors are expected to devote the time needed to discharge their responsibilities. The Board acting through its Chairman convenes an Annual General Meeting once a year to receive the annual report from the Chairman and the Auditors. The attendance record of individual directors at Board meetings held in 2020 is shown in the table below:

Name of Board Member	Scheduled meeting	Ad-hoc Meeting	Remarks
Mr. Isaac Emmil Osei-Bonsu (Chairman)	3/3	-	Appointed in November 2020
Mr. Ernest Ofori Sarpong	3/3	-	
Mr. Philip Odei Asare	3/3	-	Deceased in January 2021
Mr. Daniel Asare-Mintah	3/3	-	
Mr. Kwadwo Danso-Dodoo	3/3	-	
Mr. Osei Kwame	1/1	-	Resigned in May 2020
Mr. Kennedy Asante Osei	2/2		Appointed in November 2020

Note *: Numerator denotes number present whilst denominator denotes expected number of attendance*

BOARD COMMITTEES, MEMBERSHIP AND MEETINGS

The Board discharges its responsibilities through the establishment of standing Board Committees appointed from amongst its members subject to the applicable regulations. All Committees of the Board operate under Committee Charters approved by the Board. They are: Audit and Compliance Committee; Finance, Human Resources and Administration Committee; Governance, Risk and Credit Committee.

Audit and Compliance Committee

The Audit Committee is a standing committee of the Board made up of three independent non-executive directors. The main purpose of the Audit Committee is to assist the Board to fulfill its oversight responsibilities in relation to the Company's internal and external audit functions and regulatory conformance in areas including the following:

a. To develop a scope of Audit which is sufficiently broad to ensure accountability and mitigate risk

b. Give Policy direction on audit issues and to consider other matters as directed by the Board from time to time.

Membership of the Audit and Compliance Committee and attendance record of the members at committee meetings in the year 2020 are shown in the table below:

Member	**Status**	**Attendance**	**Remarks**
Mr. Asare Mintah	Chairman	3/3	
Mr. Kwadwo Danso-Dodoo	Member	3/3	
Mr. Isaac Emmil Osei Bonsu	Member	3/3	

Note*: Numerator denotes number present whilst denominator denotes expected number of attendance*

Governance Risk and Credit Committee

The Governance Risk and Credit Committee is a standing committee of the Board made up of three non-executive directors and is chaired by an experienced non-executive director. The purpose of the Governance, Risk and Credit Committee to among others; oversee the establishment of policies and guidelines outlying the company's credit risk tolerance level, responsible for exercising oversight on management identification and management of the company's credit risk exposure.

Membership of the Risk Committee and attendance record of the members at committee meetings in the year 2020 are shown in the table below:

Member	Status	Attendance	Remarks
Dr. Ofori Sarpong	Chairman	3/3	
Mr. Kwadwo Danso-Dodoo	Member	3/3	
Mr. Kennedy Asante Osei	Member	2/2	

Note*: Numerator denotes number present whilst denominator denotes expected number of attendance*

Finance, Human Resources and Administration Committee

The Committee is a standing committee of the Board made up of two non-executive directors and one executive director. The Committee inter alai is responsible for giving policy direction on Finance, Human Resources and ICT, and reviewing and making recommendation to the Board for the approval of the annual budget.

Membership of the Credit Committee and attendance record of the members at committee meetings in the year 2020 are shown in the table below:

Member	Status	Attendance	Remarks
Mr. Kwadwo Danso-Dodoo	Chairman	3/3	
Mr. Daniel Asare Mintah	Member	3/3	
Mr. Philip Odei Asare	Member	3/3	

Note*: Numerator denotes number present whilst denominator denotes expected number of attendance*

CAPACITY BUILDING OF BOARD MEMBERS

Board members should have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgement about the affairs of the Company. On appointment to the Board, Directors are provided with detailed information to enable them gain in-depth knowledge about the Company and its business environment, inherent risks, strategy and the legal and regulatory framework in which the company operates. The Board also organizes relevant training for all Board members on an ongoing basis with respect to the Company's own needs and requirements and with respect to external standards of competence.

INFORMATION AND COMMUNICATION

The Board ensures timely dissemination of all relevant information on all relevant matters. Directors are furnished with information prior to Board meetings. The Board meets to discuss the budget and relevant financial information of the company regularly.

ASSESSMENT OF BOARD MEMBERS AND BOARD PERFORMANCE

The Board at the end of each year assesses each individual director based on performance, attendance at board meetings, contributions as a board member, commitment to the Board and knowledge and experience they bring to the Board. The assessment is used to determine whether the board member qualifies to be re-elected to the Board.

INTERNAL CONTROL

The Board of Directors is responsible for the system of internal controls that is designed to maintain effective and efficient operations compliant with applicable laws and regulations. The system of internal controls is designed to manage or mitigate risk to an acceptable residual level. The system of internal controls provides reasonable assurance against material misstatement, fraud and error.

The effectiveness of the Company's internal controls is reviewed regularly by the Audit, Risk and Compliance Committees of the Board. The Internal Audit function undertakes independent assurance activities and provides reports to the Board and executive management on the quality and effectiveness of governance, risk management and internal controls to manage and mitigate risks inherent in the Company's activities.

EXTERNAL AUDITORS

External Auditors of the Company, Morrison & Associates were engaged to carry out the external audit function in relation to the financial statements of the company. Morrison and Associates will continue in office as auditors of the Company.

RELATIONSHIP WITH OTHER STAKEHOLDERS

With respect to staff, apart from the normal communication channels available in the Company, Senior Management held regular interactions with staff members at various levels to keep them informed of developments within the Company and Management's expectations.

The Company gives back to society and some of the communities in which it operates. To this end, the Company spent a total amount of GH¢ 22,752 through its corporate social responsibility programmes during the year 2020.

There is also regular communication with regulators to ensure that all regulatory issues are promptly addressed.

CODE OF ETHICS

Directors are required to maintain the confidentiality of information entrusted to them by the Company and any other confidential information about the Company that comes to them, except when they are authorized by the Chairman or are legally mandated to disclose. The directors are not permitted to engage in any conduct or activities that are inconsistent with the Company's best interest or that disrupt or impair the Company's relationship with any person or entity with which the Company has or proposes to enter into a business or contractual relationship.

CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS

As part of its Corporate Governance Framework the Company has implemented a conflict of Interest policy for board members, which establishes the procedures for the identification, disclosure, prevention, management, and mitigation of conflicts of interest in order to protect the integrity and independence of board members. Each director is required to disclose to the Board promptly the holding of any office or the possession of property in respect of which the director has, or may have, an interest or duty that may create (directly or indirectly) a conflict with the director's duties as a director of the Company. Details of all directors' conflicts of Interest are recorded in the register.

REMUNERATION OF DIRECTORS

The Board members are paid a monthly director's fee and a sitting allowance on attendance at meetings as approved by Shareholders of the Company at the Annual General Meeting.

ANTI-MONEY LAUNDERING (AML) MATTERS

Money Laundering, the Financing of Terrorism and Proliferation of Weapons of Mass Destruction have negative effects on financial systems and societies. It is therefore the policy of the Company to take all reasonable and appropriate measures to prevent persons engaged in such crimes from using the Company's products and services to launder proceeds of crime. The Company is committed to ensuring compliance with both the spirit and letter of the Anti-Money Laundering Act, 2008, (Act 749) as amended by Anti-Money Laundering Amendment Act 2014 (Act 874) and related regulations in Ghana.

The Company has in place AML compliance systems and controls to enable its employees detect and report money laundering activities. The elements of the Company's AML Compliance System include:

- A Board approved AML/CFT Risk Assessment Framework
- The appointment of the Anti-Money Laundering Reporting Officer (AMLRO)
- Customer Acceptance Policy
- Customer Identification Procedures
- Transaction Monitoring and Reporting of Suspicious Transactions

MANAGEMENT COMMITTEES

Management in fulfillment of the requirement of the Bank of Ghana Corporate Governance Directive 2018, has in place various management committees to ensure balanced decision-making and active participation of key management staff in the administration of the Company. The various committees of the Company that currently form part of the Company's governance structure are as follows:

- Asset and Liability Management Committee (ALCO);
- Operations and IT Committee;
- Disciplinary Committee.
- Risk Management Committee;
- Cyber & Information Security Committee;
- Procurement Committee;
- Executive Committee;

These committees have been created to identify, measure, and make recommendations on risks inherent in the operations of the Company. They ensure that approved policies and procedures of the Board are implemented effectively. The committees met regularly to take actions and decisions within their authority.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the Members the financial statements of the Company and its subsidiaries for the year ended 31st December 2020 and report thereon as follows:

Directors' Responsibility Statement

The directors are responsible for the preparation of financial statements that give a true and fair view of Best Point Savings and Loans LTD, comprising the statement of financial position as at 31st December 2020, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements including a summary of significant accounting policies and other explanatory notes, in accordance with all relevant laws and regulations including the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), Non-Bank Financial Institution Act 2008 (Act 774) International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the foreseeable future.

Auditors' Responsibility

The auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with laws and regulations and the applicable financial reporting framework.

Principal Activities

The principal activities carried out by the Company during the year under review are within the limits permitted by its Regulations and its Licence and also consistent with its strategic focus. There were no changes in the principal activities of the Company during the year.

Results and Dividend

The results of operations for the year ended 31st December 2020 are set out in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statements of Changes in Equity and the Notes to the Financial Statements from Page 17-60.

The Directors are unable to recommend the payment of dividend in respect of the year ended 31st December, 2020.

BEST POINT SAVINGS AND LOANS LTD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

REPORT OF THE DIRECTORS

Financial Statements
The Statement of Financial Position and this report have been signed by two directors indicating the Board's approval of the Statement of Financial Position, Annexed Financial Statements and their Notes.

Corporate Social Responsibility
The Company spent an amount of GH¢ 22,752 in 2020 (2019: GH¢ 11,499) through its Corporate Social Responsibility programme as a way of giving back to the society.

Audit Fee
An amount of **GH¢ 88,594** (inclusive of taxes) is payable as Audit fees.

Interest Register
There was no entry in the Interest register during the period under review.

Directors' Capacity Building
The Board of Directors in line with Section 136 of Companies Act, 2019 (Act 992) had a training on Corporate Governance Certification with external facilitation during the year.

BEST POINT SAVINGS AND LOANS LTD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2020

REPORT OF THE DIRECTORS

The Financial Results are as stated below:

	2020	2019
	GH₵	GH₵
Retained Earnings Balance as at January 1,	**(15,732,237)**	(8,724,169)
Prior Year Adjustment	**11,167**	(2,793)
Restated Balance	**(15,721,070)**	(8,726,962)
Net Profit for the Year	**11,525,281**	(5,981,838)
	(4,195,789)	**(14,708,800)**
The Following Transfers have been made:		
Credit Risk Reserve	**(3,062,079)**	(1,023,437)
Statutory Reserve	**(5,762,641)**	-
Retained Earnings Balance as at December 31,	**(13,020,509)**	**(15,732,237)**
TOTAL ASSETS	**342,743,062**	**289,566,800**

Directors' Assessment of the State of the Company's Affairs
The Directors consider the Company's state of affairs to be satisfactory.

Auditor
The Auditor, Messrs. Morrison & Associates, will continue in office in accordance with section 139(5) of the Companies Act, 2019 (Act 992).

BY ORDER OF THE BOARD

………......................................…............…….	………........…………….............…….
Managing Director	**Chairman**
(PHILIP ODEI ASARE)	**(MR. ISAAC EMMIL OSEI-BONSU)**

Date:…..2021

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF BEST POINT SAVINGS AND LOANS LTD

Report on the Audit of the Financial Statements

We have audited the accompanying Financial Statements of Best Point Saving and Loans LTD, which comprise the Statement of Financial Position as at 31st December 2020, the Statement of Profit or Loss and Other Comprehensive income, the Statement of Cash Flows, and the Statement of Changes in Equity for the year ended on that date and notes to the financial statements including a summary of significant accounting policies and other explanatory notes.

Opinion

In our opinion, the accompanying Financial Statements show a true and fair view of the Financial Position of the Company as at 31st December 2020, and of its Financial Performance and Cash Flows for the year then ended in accordance with the Companies Act, 2020 (Act 992), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), Non-Bank Financial Institution Act 2008 (Act 774), the Anti-Money Laundering Act, 2008 (Act 749) as amended by the Anti-money Laundering Act, 2014 (Act 874), and the International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants (IESBA) and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for Loan Impairment Loss
Best Point Savings and Loans LTD assesses its loans and advances for impairment using the Expected Credit Loss Method in compliance with IFRS 9-Financial Instruments: Recognition and Measurement. In using this method, the Company applies significant judgements and assumptions in determining the amount of impairment loss that is expected to occur. The key assumptions which were used in the calculation of the expected credit losses for 2020 included the use of Probabilities of Default, Exposures at Default and Loss Given Defaults.

Based on our risk assessment and industry knowledge, we examined the key judgements/ assumptions made by management including, inter alia:

- Forward-looking economic base case scenarios
- Significant increase or decrease in credit risks
- Probabilities of Default, Exposures at Default and Loss Given Defaults

We also reviewed, on a sample basis, material retail and corporate portfolio of financial assets and evaluated the effectiveness of the IFRS Impairment Model which was used in determining the Expected Credit Loss (ECL).

Our review of the assumptions resulted in additional IFRS impairment provision and recommended same for adjustment by the Company.

Responsibilities of Directors for the Financial Statements
As described on Page 9, the Company's Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act, 2019 (Act 992), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Non-Bank Financial Institution Act 2008 (Act 774), and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
BEST POINT SAVINGS AND LOANS LTD

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
The Companies Act, 2019 (Act 992) requires that in carrying out our audit we report on the following:

We confirm that:
We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

In our opinion proper books of account have been kept by the Company and its subsidiaries, so far as appears from our examination of those books, and proper returns adequate for the purposes of the audit have been received from branches not visited by us.

The statement of financial position, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity of the Company and its subsidiaries are in agreement with the books of account.

We are independent of the Company pursuant to Section 143 of the Companies Act, 2019 (Act 992).

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
BEST POINT SAVINGS AND LOANS LTD

The Company's and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) requires that we state certain matters in our report. We hereby certify that:

The Financial Statements give a true and fair view of the state of affairs as at 31st December 2020 of the Company and its subsidiaries and the results for the year ended on that date.

We obtained all the information and explanation required for the efficient performance of our audit.

The transactions of the Company and its subsidiaries are within their powers; and

The Company has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930); the Non-Bank Financial Institution Act 2008 (Act 774), the companies Act 2019 (Act 992), the Anti-Money Laundering Act, 2008 (Act 749) as amended by the Anti-Money Laundering (Amendment)Act, 2014 (Act 874) and the Anti-Terrorism Act, 2008 (Act 762).

The engagement partner on the audit resulting in this independent auditor's report is **Dr. Adom Adu-Amoah** (Practising Certificate Number: **ICAG/P/1294**).

Particulars of the Auditor

Signature: ………..…………………………………

Name: Morrison & Associates

Licence Number: ICAG/F/2021/097

Address: 2nd Floor Trinity House, Ring Road East

P.O. Box CT 2890 Cantonments - Accra, Ghana

……………………………, 2021
Accra, Ghana

BEST POINT SAVINGS AND LOANS LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2020

	Note	2020 GH₵	2019 GH₵
Interest Income	7	45,939,262	42,261,998
Interest expense	8	(16,952,979)	(17,302,412)
Net interest income		28,986,283	24,959,586
Net fee and commission income	9	2,871,598	2,842,249
Other operating income	10	16,578,097	1,415,136
Total operating income		48,435,979	29,216,971
Net impairment loss on financial assets	13	(5,810,262)	(6,202,983)
Personnel expense	11	(15,612,230)	(15,218,703)
Other operating expenses	12	(14,208,953)	(13,495,854)
		(35,631,445)	(34,917,540)
Profit before income tax		12,804,534	(5,700,569)
Income tax expense	14(a+b+c)	(1,279,253)	(281,269)
Profit for the year		11,525,281	(5,981,838)
Basic Earnings Per Share	15	0.3280	(0.1702)

BEST POINT SAVINGS AND LOANS LTD

STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2020

	Note	2020	2019
ASSETS		**GH₵**	**GH₵**
Cash and cash equivalents	**16**	**25,172,740**	29,871,194
Investment securities	**17**	**270,503,021**	195,164,536
Loans and advances to customers	**18**	**34,007,077**	32,452,181
Current tax asset	**14**	**555,330**	1,110,264
Deferred tax asset	**14c**	**565,792**	379,285
Intangible assets	**20**	**432,540**	480,747
Other assets	**21**	**7,855,001**	25,730,906
Property, plant and equipment	**19**	**3,651,561**	4,377,687
Total assets		**342,743,062**	**289,566,800**
LIABILITIES			
Deposits from customers	**22**	**303,173,836**	**259,768,703**
Current tax liability	**14**	**-**	**-**
Other liabilities	**23**	**6,298,510**	8,063,829
Overdraft		**-**	-
Total liabilities		**309,472,346**	**267,832,532**
EQUITY			
Stated Capital		**35,140,000**	35,140,000
Income Surplus		**(13,020,509)**	(15,732,237)
Statutory Reserve		**6,921,795**	1,159,154
Credit Risk Reserve		**4,229,430**	1,167,351
Total equity attributable to equity holders		**33,270,716**	**21,734,268**
TOTAL LIABILITIES AND EQUITY		**342,743,062**	**289,566,800**

BY ORDER OF THE BOARD

……………...............................…..............……… ……………......……………….............……

Managing Director **Chairman**

(PHILIP ODEI ASARE) **(MR. ISAAC EMMIL OSEI-BONSU)**

ACCRA

…..., 2021

BEST POINT SAVINGS AND LOANS LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2020

	Note	2020 GH₵	2019 GH₵
Cash flow from Operating Activities			
Profit/(loss) before tax		**12,804,534**	(5,700,569)
Adjustments for:			
Depreciation and amortisation		**2,456,981**	3,114,736
Reversal of Investment Written		**(250,696)**	-
Impairment on financial assets		**4,165,002**	661,313
(Profit)/loss on disposal of assets		**(14,840)**	(1,933)
Change in loans and advances to customers		**(5,469,202)**	4,903,668
Change in other assets		**17,875,905**	(332,433)
Changes in short-term investment		**(75,338,485)**	(4,797,667)
Change in deposits from customers		**43,405,133**	2,504,731
Change in other liabilities		**(1,765,319)**	(1,078,147)
Income Tax Adjustment		**7,791**	-
Income tax paid		**(918,617)**	(440,154)
Net cash Used in Operating Activities		**(3,041,812)**	**(1,166,455)**
Cash Flow from Investing Activities			
Proceeds from disposal of assets	17	**14,840**	3,650
Purchase of property, plant & equipment	20	**(1,566,422)**	(1,233,612)
Purchase of intangible assets	21	**(105,059)**	(28,476)
Net Cash Used in Investing Activities		**(1,656,641)**	**(1,258,438)**
Cash flows from financing activities			
Proceeds from issue of equity shares		**-**	-
Net cash flows from financing activities		**-**	**-**
Net (decrease)/ increase in cash and cash equivalent		**(4,698,454)**	**(2,424,893)**
Cash and cash equivalents at 1st January		**29,871,194**	32,296,087
Cash and cash equivalents at 31st December		**25,172,740**	**29,871,194**
Composition of cash and cash equivalents			
Cash in hand		**7,609,694**	6,497,097
Balances with Bank		**17,563,046**	23,374,097
		25,172,740	**29,871,194**

BEST POINT SAVINGS AND LOANS LTD

STATEMENT OF CHANGES IN EQUITY

2020

	Note	Stated Capital GH₵	Income Surplus GH₵	Credit Risk Reserve GH₵	Statutory Reserve GH₵	Total Equity GH₵
Balance as at 1st January 2020		**35,140,000**	**(15,732,237)**	**1,167,351**	**1,159,154**	**21,734,268**
Prior Year Adjustment	**31**	**-**	**11,167**	**-**	**-**	**11,167**
Restated Balance		**35,140,000**	**(15,721,070)**	**1,167,351**	**1,159,154**	**21,745,435**
Profit/(loss) for the year		**-**	**11,525,281**	-	-	**11,525,281**
Transaction with Owners, recorded directly in Equity						
Issue of shares to new shareholders:		-	-	-	-	**-**
Transfer to Statutory Reserve		**-**	**(5,762,641)**	**-**	**5,762,641**	**-**
Transfer from Credit Risk Reserve		**-**	**(3,062,079)**	**3,062,079**	**-**	**-**
Total transactions with owners		**-**	**(8,824,720)**	**3,062,079**	**5,762,641**	**-**
Balance at 31st December, 2020		**35,140,000**	**(13,020,509)**	**4,229,430**	**6,921,795**	**33,270,716**

2019	Stated Capital GH₵	Income Surplus GH₵	Credit Risk Reserve GH₵	Statutory Reserve GH₵	Total Equity GH₵
Balance as at 1st January 2019	**35,140,000**	**(8,724,169)**	**143,914**	**1,159,154**	**27,718,899**
Prior Year Adjustment	**-**	**(2,793)**	**-**	**-**	**(2,793)**
Restated Balance	**35,140,000**	**(8,726,962)**	**143,914**	**1,159,154**	**27,716,106**
Profit/(Loss) for the year	-	(5,981,838)	**-**	-	**(5,981,838)**
Transaction with Owners, Recorded Directly in Equity					
Issue of shares to new shareholders:	-	-	-	-	**-**
Transfer to Statutory Reserve	-	-	-	-	**-**
Transfer from Credit Risk Reserve	-	(1,023,437)	1,023,437	-	**-**
Total transactions with owners	**-**	**(1,023,437)**	**1,023,437**	**-**	**-**
Balance 31st December, 2019	**35,140,000**	**(15,732,237)**	**1,167,351**	**1,159,154**	**21,734,268**

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

Best Point Savings and Loans LTD is a company domiciled in Ghana. The address of the Company's registered office is Old Peace FM Building, Mile 7 Junction, Off Achimota-Ofankor Road, P. O. Box CT 10191, Cantonments- Accra. The Company is licensed by Bank of Ghana to carry on the business of mobilising savings and lending to individuals, micro, small and medium enterprises.

2 BASIS OF PREPARATION

Statement of Compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and, adopted by Institute of the Chartered Accountants, Ghana (ICAG) and Guide for Financial Publications for Banks and BoG licensed Financial Institutions. These Financial Statements were approved by the Board of Directors on..................................2021.

a. Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following:

Financial instruments at fair value through profit or loss or Other Comprehensive income.

Investment property measured at fair value.

Property, plant & equipment that are subsequently measured using the revaluation model.

b Functional and Presentation Currency

The Financial Statements are presented in Ghana Cedi (GH¢), which is the Company's functional currency.

c Use of Estimates and Judgements

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company and its subsidiaries and which have been applied consistently in preparing these Financial Statements are stated below:

NOTES TO THE FINANCIAL STATEMENTS

(a) Foreign Currency Transactions

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the exchange rate at that date (closing rate). The foreign currency gain or loss on monetary items is the difference between amortised cost at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments which are recognised in Other Comprehensive Income (OCI).

(b) Interest and Expense

Interest revenue is generally recognised when future economic benefits of the underlying assets will flow to the organisation and it can be reliably measured. It is income derived from use of an entity's assets and hence the interest is mostly dependent on the underlying agreement. Interest income and expense are, however, generally recognised in profit or loss on straight-line basis using the effective interest method. The Effective Interest Rate (EIR) is the rate that exactly discounts the estimated future cash payments and receipts throughout the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or financial liability.

The calculation of the Effective Interest Rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the Effective Interest Rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss include:

- **i** Interest on financial assets and financial liabilities at amortised cost on an effective interest rate basis.
- **ii** Interest on securities is computed on effective interest rate basis.
- **iii** Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

NOTES TO THE FINANCIAL STATEMENTS

(c) Fees and Commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period/year.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(d) Other Operating Income

Other Operating Income comprises gains less losses related to assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

(e) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(f) IFRS 9- Financial Instruments

1 Financial Assets and Liabilities

1.1 Recognition

The Company initially recognises loans and advances, deposits and debt securities issued on the date that they are originated. All other financial assets and financial liabilities (including financial assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

1.2 De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

1.2.1 ***Offsetting***

Financial assets and liabilities are set off and the net amount presented in the financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a Company of similar transactions such as in the Company’s trading activity.

1.3 Classification and Measurement

The Company classifies its financial assets based on the business model within which they are managed and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial Assets whose contractual terms give rise on specified dates to collect cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding are initially measured at fair value and subsequently measured at Amortised Cost. A greater portion of the Company’s financial assets (loans and advances and debt securities) and financial liabilities (Deposits from customers and borrowings) fall into this classification.

1.3.1 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

1.3.2 Fair Value Measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

The fair value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

1.3.3 Designation at Fair Value Through Profit or Loss

The Company has designated financial assets and liabilities at fair value through profit or loss when either:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis or;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

NOTES TO THE FINANCIAL STATEMENTS

Note 6 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

1.4 Identification and Measurement of Impairment

At each reporting date, the Company determines whether there is significant increase in credit risk since initial recognition of the financial asset or no significant increase in credit risk since initial recognition. In assessing whether a significant increase in credit risk has occurred, the Company applies a multifactor approach using quantitative measures (e.g. changes in probability of default or credit score since origination), and qualitative factors such as macro-economic developments and changes in specific business environments. There is a rebuttable presumption that all financial assets that are 30 days past due are considered to have experienced a significant increase in credit risk.

A financial asset will only be considered credit impaired if there is objective evidence of impairment, including financial assets that are defaulted or 90 days past due. Loans are considered defaulted where the borrower is in breach of contract, is bankrupt, or experiences other significant financial difficulties which are expected to have a detrimental impact on their ability to pay interest or principal on the loan.

Where there is significant increase in credit risk since initial recognition the Company measures the loss allowance for a financial instrument at an amount equal to lifetime Expected Credit Losses. In the case of no significant increase in credit risk, the Company measures the loss allowance for a financial instrument at an amount equal to 12-month Expected Credit Losses.

The Company considers evidence of impairment at both an individual and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by Companying together financial assets (carried at amortised cost) with similar risk characteristics.

In assessing collective impairment, the Company uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

NOTES TO THE FINANCIAL STATEMENTS

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised on the unimpaired portion through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

1.5 The Company's Expected Credit Loss model

The Company follows a three-stage approach to impairment for its financial assets.

Stage 1: when a significant increase in credit risk since initial recognition has not occurred, a 12-month ECL is recognized for all Stage 1 financial assets. Stage 1 financial assets are considered performing.

Stage 2: when a significant increase in credit risk since initial recognition has occurred, a lifetime ECL is recognised. Stage 2 financial assets are Under-Performing but not yet defaulted.

Stage 3: There is significant increase in credit risk reflecting 90 days past due and considered credit impaired at the reporting date.

The Company's ECL models use three key input parameters for the calculation of the expected credit losses, being:

- probability of default (PD),
- exposure at default (EAD) and
- loss given default (LGD).

PD is the estimate of the likelihood of default over a given time horizon. Key drivers include customer characteristics which are adjusted with forward-looking macroeconomic scenarios that are likely to impact the risk of default.

In estimating the Company's PDs, a historical default analysis was carried out over a six-year period.

EAD represents the expected balance at default after taking into account any projected repayment of principal and interest together with any expected drawdowns of committed facilities until the default event occurs. The EAD will be discounted back to the reporting date using the effective interest rate (EIR) determined at initial recognition. Discounting is calculated over a 12-month period for Stage 1 loans or over either the behavioral life or the remaining term life, whichever is shorter, for Stage 2 loans.

NOTES TO THE FINANCIAL STATEMENTS

LGD represents the expected losses on the EAD after taking into account cash recoveries, including the value of collateral, discounted over the time it is expected to be realized. Expected cash recoveries are discounted at the original EIR of the loan, back to the default date.

(g) Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, balances held with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost or fair values in the statement of financial position depending on the business model for managing the asset or the cash flow characteristics of the asset.

(h) Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

When the Company is the lessor in a lease agreement that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee, the financial asset is recognised within loans and advances.

(i) Investments

These are initially measured at fair value plus incremental direct transaction costs. They are subsequently accounted for depending on their classification as either fair value through profit or loss or fair value through other comprehensive income.

1.1 ***Fair Value through Other Comprehensive Income***

The Company carries its investments (other than securities) at fair value through other comprehensive income, with fair value changes recognised immediately in other comprehensive income.

1.2 ***Fair Value through Profit or Loss***

The Company carries its investment securities (treasury bills) at fair value, with fair value changes recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(j) Property, Plant & Equipment and Right-of-use Assets

Items of property, plant & equipment and right-of-use assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When components of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant or equipment.

1.1 ***Subsequent Costs***

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant & equipment are recognised in profit or loss as incurred.

1.2 ***Revaluation Model***

After recognition of an asset, an item of property, plant & equipment whose fair value can be measured reliably shall be carried at a revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The Company's policy is to revalue its Properties, Plant and Equipment between three (3) to five (5) years depending on the economic conditions.

Revaluation model is used for only property and surpluses on such revaluations are restricted to tier-two capital with respect to Capital Adequacy Ratio computation.

1.3 ***Depreciation***

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each item of property, plant & equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Annual depreciation rates of items of Property, plant and equipment have been assessed as follows:

NOTES TO THE FINANCIAL STATEMENTS

Leasehold Property	5.0%
Office Furn & Fittings	20.0%
Motor Vehicles	20.0%
Computers	33.3%
Office Plant & Equipment	25.0%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(k) Intangible Assets

An intangible asset is generally considered as an identifiable non-monetary asset without physical substance. It is recognised when future economic benefits will flow to the Company and it can be reliably measured. The useful life may be finite or indefinite depending on the nature and legal framework underpinning the transaction. Impairment assessment is made of all indefinite intangible assets at each reporting date and the appropriate adjustments made.

1.1 ***Goodwill***

Goodwill/Negative Goodwill arises on the acquisition of subsidiaries and other businesses. Goodwill subsequent to initial recognition is measured at cost less accumulated impairment losses.

1.2 ***Software***

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over their useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of the Company's software is four years.

NOTES TO THE FINANCIAL STATEMENTS

(l) Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets, other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset Company that generates cash flows that largely are independent from other assets and Company's. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (Company of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

NOTES TO THE FINANCIAL STATEMENTS

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(n) Employee Benefits

1.1 ***Short-term Benefits***

Short-term employee benefits are amounts payable to employees that fall due wholly within 12 months after the end of the year in which the employee renders the related service.

The cost of short-term employee benefits is recognised as an expense in the year when the economic benefit is given, as an employment cost. Unpaid short-term employee benefits as at the end of the accounting year are recognised as an accrued expense and any short-term benefit paid in advance are recognised as prepayment to the extent that it will lead to a future cash refund or a reduction in future cash payment.

Wages and salaries payable to employees are recognised as an expense in profit or loss at gross amount. The Company's contribution to Tier 1, 2, and 3 of the National Pensions Scheme are also charged as expenses.

1.2 ***Social Security and National Insurance Trust (SSNIT)***

Under a National Defined Benefit Pension Scheme, the Company contributes 13% of employees' basic salary to Social Security and National Insurance Trust (SSNIT) for employee pensions. The Company's obligation is limited to the relevant contributions, which are settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

1.3 ***Provident Fund***

The Company has a Provident Fund Scheme for all permanent employees. Employees contribute 5% of their basic salary to the Fund with the Company also contributing amounts equivalent to 7% of the employee's basic salary. The Company's obligation under the Fund is limited to the relevant contribution which is invested at interest rates agreed by the Trustees of the Scheme and the Company.

NOTES TO THE FINANCIAL STATEMENTS

(o) Share Capital and Reserves

1.1 ***Perpetual Bonds/Irredeemable Preference Shares***

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The Company's Perpetual Bonds are not redeemable by holders, and bear an entitlement to distributions that is non-cumulative and at the discretion of the directors. Accordingly, they are presented as a component of issued capital within equity.

Where the Perpetual Bonds or Preference Shares are irredeemable but cumulative in terms of dividend then the unpaid portion of the dividend is obligatory and is treated as a liability whilst the principal is classified as equity.

1.2 ***Share Issue Costs***

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

1.3 ***Earnings per Share***

The Company presents basic and Diluted Earnings per Share (EPS) data for its Ordinary Shares. Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the year. Diluted EPS is determined by adjusting the Profit or Loss attributable to Ordinary Shareholders and the weighted average number of Ordinary Shares outstanding for the effect of all dilutive potential Ordinary Shares, which comprise convertible notes and share options granted to employees.

1.4 ***Dividends***

Dividends are recognised as a liability in the year in which they are declared.

(p) Borrowings (Liabilities to Companies and Customers)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowings and other forms of financial liabilities are de-recognised from the books only when they are extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

4 RISK MANAGEMENT

1.1 Introduction and Overview

Risk management is fundamental to the long-term profitability and survival of the Company. The Company manages risk through a continuous process of identifying, measuring and controlling risks inherent in its operations.

1.2 *Categories of Risk*

Risk is inherent in every material business activity of the Company. The nature of the Company's operations exposes it to the following risks:

- Credit Risk;
- Liquidity Risk;
- Market Risk
- Compliance Risk;
- Operational Risk;
- Reputational Risk

1.3 Risk Management Framework

The nature of the Company's operations exposes it mainly to liquidity, credit, market, operational, and reputational risks. To ensure that the Company takes only measured risks, the Company has integrated effective risk management in its daily business activities, processes and procedures.

The Company has established a comprehensive risk management framework for managing the risks inherent in its operations at all times and levels throughout the Company. The risk management framework ensures the identification, measurement and control of the risks at all levels in the Company with a view to safeguarding its integrity, reputation and financial strength. The risk management framework also contains details of the Company's risk governance structure.

The Company maintains a risk governance structure geared towards strengthening risk identification, measurement, management and control whilst positioning the Company to manage the changing regulatory environment in an efficient and effective manner. The risk governance structure ensures oversight of and accountability for, the effective management of risks inherent in the Company's operations.

The Board Directors, supported by the Audit, Risk and Credit Management Committee of the Board determines the risk strategy, policy, limits and appetite for the Company. The Board regularly reviews the Company's risk exposure to enable it to take appropriate risk related decisions.

NOTES TO THE FINANCIAL STATEMENTS

The Risk Management Department assists management in the formulation of the overall policies including various risk management strategies and control. The Department also provides a review of the overall risk profile from time to time. The head of the Risk Management Department is responsible for coordinating the risk management issues emanating from the various committees, divisions and departments of the Company and is primarily responsible for ensuring that the Company's risk profile is consistent with its financial resources and the risk appetite defined by the Board.

1.4 Credit Risk

Credit risk refers to the risk that a borrower defaults in repaying a credit facility either in full or in part or that counterparty fails to meet its contractual obligation to financial instrument thereby resulting in financial loss to the Company.

The principal sources of credit risk inherent in the Company's operations arise from loans and advances to customers as well as placements (investments) with other financial institution.

The Company manages credit risk through well-structured systems and controls which ensure that relevant committees meet to take appropriate decisions on credit applications and reports in order to control credit risk at various stages of the credit delivery process. The Company pursues a prudent policy for granting credit facilities to customers. The Company also applies the Know Your Customer (KYC) principle when granting credit facilities to customers. In other words, credit facilities are granted to businesses whose management, integrity and expertise are known and considered to be acceptable by the Company. In addition, the Company adequately assesses the financial performance of the businesses of borrowers before granting credit facilities to such businesses.

Credit facilities granted to customers, both individual SMEs, are closely monitored on a regular basis to uncover early warning signals of non-performance for the necessary remedial measures to be taken.

Early risk detection is a tenet of the Company's credit culture and is intended to ensure that greater attention is paid to credit exposures in order to effectively manage such exposures and maximize loan recovery.

The Company requires appropriate collateral to secure credit facilities granted to borrowers. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. Collaterals held as security against credit risk consist mainly of mortgages over landed property as well as cash and Government securities. While collateral can be an alternative source of repayment, it does not mitigate or compensate for a borrower's questionable reputation.

NOTES TO THE FINANCIAL STATEMENTS

The Company has adopted the following internal credit grading system in classifying its credit portfolio:

Grade	Days Overdue
1	Less than 30 days
2	30 to 90 days
3	91 to 180 days
4	181 to 365 days
5	More than 365 days

1.4.1 ***Impaired Loans and Advances***
Impaired loans and advances are loans and advances for which the Company has recognized that principal and/or interest are not collectible in accordance with the credit agreement.

1.4.2 ***Past due but not Impaired Loans***
These are loans and advances where agreed scheduled payments are past due but the discounted cash flow of the value of the collateral is estimated to be more than the carrying amount of the facility.

1.4.3 ***Loans and Advances with Renegotiated Terms***
These are loans and advances that have been restructured or rescheduled due to any one or a combination of the following:

Time overrun during implementation of the business activity that is financed by the Company resulting in delay in starting up the business;

Delay in delivery of goods and services ordered or imported by the borrower;

Negative deviation of cash flow from the projected figures contained in the credit report due to the fact that reasonable time period is required to set up production and build up sales; and

Inadequate cash flow generation due to seasonal slowdown in business activity.

Restructured Loans and Advances remain in their risk grade for a reasonable time until proven record of performance in accordance with the renegotiated terms.

1.4.4 ***Allowances for Impairment***
The Company estimates the expected losses in its loans/ advances portfolio as at the end of the year and provides an impairment allowance against it. The components of the impairment allowance are the specific impairments for individually assessed borrowers and collective impairments based on the loans/advances segments.

NOTES TO THE FINANCIAL STATEMENTS

The Company writes off Loans and Advances when the Credit Facilities Committee assesses a loan/advance or a portion thereof to be unrecoverable.

All write offs are done in accordance with laid down policies and procedures, including approval from Bank of Ghana.

1.4.5 *Collaterals for Credit Facilities*

The Company holds collateral against loans and advances to customers in the form of mortgage interest over landed property, assignments over equipment and stocks, guarantees, and assignments over cash and near cash assets.

Fair values of collaterals are based on valuations of collaterals at the time of granting the credit facility. The collateral values are updated periodically to reflect the current condition and market value of the collateral. The fair value of collaterals and other securities held against loans and advances is shown below.

1.4.6 *Investments*

The Company's investments consist mainly of Government and Bank Securities which were neither past due nor impaired at the end of the year.

1.4.7 *Credit Concentration Risk*

The Company monitors credit concentration risk by sector. The analysis of Credit Risk Concentration as at 31st December, 2020 is shown below:

Analysis of Concentrations of Credit Risk

Loans and Advances to customers

	2020	2019
Gross Loans and Advances Concentration by Sector:	**GH₵**	**GH₵**
Commerce & Finance	4,556,273	5,176,947
Construction	8,574,079	8,779,668
Transport, Storage & Communication	2,316,575	1,139,788
Services	10,455,566	11,842,563
Miscellaneous	15,299,024	8,793,350
	41,201,517	**35,732,315**

NOTES TO THE FINANCIAL STATEMENTS

1.5 Liquidity Risk

Liquidity risk is the potential loss to the Company arising from either its inability to meet its maturing obligations as they fall due or to fund increases in assets without incurring unacceptable costs.

Liquidity risk could occur if customers suddenly withdraw more funds than expected which cannot be met from the Company's available cash resources, from selling or pledging assets, or by borrowing funds from third parties. Liquidity risk could also occur if the Company is unable to meet the committed loan disbursements and Bank of Ghana Reserve Requirement.

1.5.1 *Management of Liquidity Risk*

Management of liquidity risk enables the Company to minimise the mismatch in the timing of cash flows relating to its assets and liabilities.

The Company monitors on a regular basis the maturity profile of its assets and liabilities. Investment and borrowing decisions are therefore made with greater focus on creating a suitable balance between maturing debts and assets.

1.5.2 *Exposure to Liquidity Risk*

The Company's exposure to liquidity risk is measured by: Liquidity gap analysis; and Ratio of Net Liquid Assets to Deposits

The Company's exposure to liquidity risk as measured by the liquidity gap analysis is summarised in the table below:

2020		Less than	1 to 3	3 to 6	6 to 12	More than
ASSETS	**Total**	**1 month**	**months**	**months**	**months**	**1 year**
	GH₵	**GH₵**	**GH₵**	**GH₵**	**GH₵**	**GH₵**
Cash and Cash Equivalents	25,172,740	25,172,740	-	-	-	-
Investments	270,503,021	82,367,863	-	35,605,030	24,849,120	111,694,840
Loans and Advances	34,007,077	8,258,217	5,376,836	4,921,268	6,534,726	12,370,984
Other Assets	8,976,122	26,725,426	-	-	-	-
TOTAL	338,658,961	142,524,246	5,376,836	40,526,298	31,383,846	124,065,824
LIABILITIES						
Deposit from Customers	303,173,836	51,847,906	107,759,480	76,100,770	43,346,510	24,119,170
Tax and Other liabilities	6,298,510	7,740,631	-	-	-	-
TOTAL	309,472,346	59,588,537	107,759,480	76,100,770	43,346,510	24,119,170
Liquidity Gap	29,186,615	82,935,709	(102,382,644)	(35,574,472)	(11,962,664)	99,946,654
Liquidity Gap (%)	9.43%	139.18%	-95.01%	-46.75%	-27.60%	414.39%

NOTES TO THE FINANCIAL STATEMENTS

2019 ASSETS	Total GH₵	Less than 1 month GH₵	1 to 3 months GH₵	3 to 6 months GH₵	6 to 12 months GH₵	More than 1 year GH₵
Cash and Cash Equivalents	**29,871,194**	29,871,194	-	-	-	-
Investments	**195,164,536**	84,954,366	51,624,790	13,847,100	37,936,280	6,802,000
Loans and Advances	**32,452,181**	400,864	6,556,351	5,231,625	6,637,081	13,626,260
Other Assets	**27,220,455**	17,146,254	2,060,758	1,644,377	2,086,132	4,282,934
TOTAL	**284,708,366**	**132,372,678**	**60,241,899**	**20,723,102**	**46,659,494**	**24,711,194**
LIABILITIES						
Deposit from Customers	**259,768,703**	44,378,373	96,694,450	63,007,710	36,220,630	19,467,540
Tax and Other liabilities	**8,063,829**	99,608	1,629,145	1,299,972	1,649,205	3,385,900
TOTAL	**267,832,531**	**44,477,981**	**98,323,595**	**64,307,682**	**37,869,835**	**22,853,440**
Liquidity Gap	**16,875,835**	**87,894,697**	**(38,081,696)**	**(43,584,580)**	**8,789,659**	**1,857,754**
Liquidity Gap (%)	**6.30%**	**197.61%**	**-38.73%**	**-67.78%**	**23.21%**	**8.13%**

The gap analysis above matches the Liquid Assets and Liabilities in the various time bands based on the remaining number of days to the contractual maturity dates. The unmatched positions (Gap) indicates the Company's exposure to Liquidity Risk.

NOTES TO THE FINANCIAL STATEMENTS

1.6 Market Risk

Market risk is the potential for losses arising from movements in interest rates, exchange rates, equity prices and commodity prices. The Company is currently exposed to interest rate and foreign exchange rate risks.

The Asset and Liability Committee (ALCO) and the Treasury Committee are responsible for the management of the Company's market risk. The Risk Management Department is responsible for ensuring that the Company's exposure to market risk is within the risk appetite levels defined by the Board. The primary responsibility for the daily monitoring and management of market risk is, however, delegated to the Treasury Department with the oversight supervision of the ALCO.

1.6.1 Management of Market Risk

1.6.1.1 *Exposure to Interest Rate Risk – Non-Trading Portfolio*

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustment within a specified period. The Company's lending, investment and funding activities give rise to interest rate risk because it carries a mix of both fixed and floating rate assets and liabilities on its books that are subject to re-pricing periodically. Potential mismatches in interest rate sensitive assets and liabilities are caused by the following:

1. Movement in market interest rate;
2. Generation of new interest rate sensitive assets and liabilities;
3. Movement of interest rate sensitive assets and liabilities from one-time band to another

The Company employs an interest rate sensitivity model (Gap Analysis) to measure and monitor interest rate sensitive assets and liabilities. The model is based on the classification of interest rate sensitive assets and liabilities into particular time bands with regards to maturity.

NOTES TO THE FINANCIAL STATEMENTS

A summary of the Company's interest rate gap position on non-trading portfolios is as follows:

2020 ASSETS	Carrying Value GH₵	Less than 3 Months GH₵	3 to 6 Months GH₵	6 to 12 Months GH₵	More than 12 Months GH₵
Cash and Cash Equivalents	25,172,740	25,172,740	-	-	-
Investments	270,503,021	82,367,863	35,605,030	24,849,120	111,694,840
Loans and Advances	34,007,077	13,635,053	4,921,268	6,534,726	12,370,984
Total Assets	329,682,838	121,175,656	40,526,298	31,383,846	124,065,824
LIABILITIES					
Deposit from Customers	303,173,836	159,607,386	76,100,770	43,346,510	24,119,170
Total Liabilities	303,173,836	159,607,386	76,100,770	43,346,510	24,119,170
Interest Rate Gap	26,509,003	(38,431,729)	(35,574,472)	(11,962,664)	99,946,654

2019 ASSETS	Carrying Value GH₵	Less than 3 Months GH₵	3 to 6 Months GH₵	6 to 12 Months GH₵	More than 12 Months GH₵
Cash and Cash Equivalents	29,871,194	29,871,194	-	-	-
Investments	195,164,536	136,579,156	13,847,100	37,936,280	6,802,000
Loans and Advances	32,452,181	6,957,215	5,231,625	6,637,081	13,626,260
Total Assets	257,487,911	173,407,565	19,078,725	44,573,361	20,428,260
LIABILITIES					
Deposit from Customers	259,768,703	141,072,823	63,007,710	36,220,630	19,467,540
Total Liabilities	259,768,703	141,072,823	63,007,710	36,220,630	19,467,540
Interest Rate Gap	(2,280,792)	32,334,742	(43,928,985)	8,352,731	960,720

NOTES TO THE FINANCIAL STATEMENTS

The Company’s interest rate risk management strategy is based on a variable (floating) interest rate pricing policy in pricing its assets and to a large extent its liabilities. This allows the Company to re-price its assets and liabilities in tandem with changes in market rates. The Company ensures that the re-pricing structure of the statement of financial position generates maximum benefits from interest rate movements.

The Company’s strategy is to maintain an overall position of interest sensitive assets greater than interest sensitive liabilities.

1.6.1.2 ***Exposure to Exchange Rate Risk***

Exchange rate risk is the potential loss of income and capital arising from movements in exchange rates of currencies in which the Company has positions or commitments.

The Company's exposure to foreign exchange rate risk emanates basically from its foreign denominated bank account balances.

The Company manages foreign exchange risk inherent in its operations by keeping foreign currency holdings in a more stable currencies.

1.7 Operational Risks

Operational risk is the potential for loss arising from inadequate or failed processes, people and systems, staff misconduct or from uncontrolled external events.

Operational risk may arise from:

i Failure to manage systems, operations, transactions and assets;

ii Human errors or loss of customer data;

iii Fraud, theft, cyber attacks and hacking activities; and

iv Natural as well as man-made disasters.

NOTES TO THE FINANCIAL STATEMENTS

The Company's top management is primarily responsible for managing operational risk inherent in its Companying business. The Company manages its operational risk by regularly raising awareness of its employees to potential operational losses, improving early warning information systems and allocating risk ownership and responsibilities to branch managers and heads of departments. The Executive Committee, and the Operations and IT Committee are responsible for managing operational risk. The Risk Management Department coordinates all operational risk management activities.

A key threat to the Company's operation is the possibility of cyber attacks, computer virus attacks, unauthorized access, sabotage and other events that could adversely affect the security of its information systems. Failure to prevent or protect the Company from such attacks could have a significant adverse impact on the Company's operations in the form of loss of customer data and other sensitive information, financial loss or reputational damage.

The Company's internal policies and procedures and other information security systems protect the confidentiality, integrity and availability of information assets held on its computer systems, software, networks and other electronic devices. In addition, the Company continues to use the services of both internal and external information technology security experts to conduct independent reviews on the resilience of its IT systems to cyber attacks and other information security threats. The security systems and processes deployed to protect the Company's computer systems, networks and other IT resources are continuously upgraded to maintain their effectiveness against evolving cyber attacks and hacking activities.

Furthermore, the Company has put in place physical controls to ensure that unauthorised persons do not have access to sensitive areas of the Company.

The effective management of the Company's operational risk therefore protects the Company against unnecessary business disruptions and associated costs.

1.7.1 ***Business Continuity and Disaster Recovery Plan (BC/DRP)***

The Company has put in place a Business Continuity and Disaster Recovery Plan (BC/DRP) as part of its strategic and operational risk management strategy to manage potential disruptions to its operations as a result of disasters like natural and man-made disasters such as fire, earthquakes, floods, wars, terrorist attacks, cyber attacks, etc. The Company has a BC/DRP framework which forms an integral part of the operational risk management strategy of the Company.

NOTES TO THE FINANCIAL STATEMENTS

The Company's operations are highly dependent on IT systems. Hence, failure of the IT systems at the Company's primary data centre due to natural or man-made disasters could have a serious adverse impact on the Company's operations and customers. The Company has therefore established an offsite standby data centre facility where a replica of all business critical systems (both hardware and software) has been installed and is updated in real time. This standby facility is to enable the Company resume operations within the shortest possible time in the event of a disruption which renders the Company's IT facilities at the primary data centre inoperative.

1.8 Capital Management

The primary objective of capital management in the Company is to ensure that:

The Company complies with the minimum stated capital requirement of Bank of Ghana;

The Company complies with the regulatory capital requirement that always enables it to meet the minimum Capital Adequacy Ratio requirement of Bank of Ghana;

The Company maintains a strong capital base to maintain investor, creditor and market confidence and to sustain future development of its business.

To ensure achievement of the above objectives, the Company monitors through regular reports on the performance of the Company and prudential returns submitted to the Bank of Ghana.

1.8.1 Regulatory Capital

The Company's Regulatory Capital consists of both Tier 1 and Tier 2 capital.

Tier 1 capital consists of stated capital, statutory reserves and retained earnings, after deductions of intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital consists of convertible debentures, hybrid capital, undisclosed reserves and revaluation surplus. Total Tier 2 capital is limited to 100% of the Tier 1 capital.

The Company's regulatory capital position as at 31st December 2020 was 23%.

1.8.2 Capital Allocation

The allocation of the Company's capital to various business segments is determined by the available regulatory capital and the expected return to be achieved on the allocated capital.

The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

5 USE OF ESTIMATES AND JUDGEMENTS

Management discusses with the Audit & Risk Management Sub-Committee the development, selection and disclosure of the Company's accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on Risk Management (see note 4).

5.1 Key Sources of Estimation Uncertainty

5.1.1 Allowances for Expected Credit Losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in the accounting policy. The individual counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the risk management function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar credit characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified.

In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the allowances depends on how well these estimated future cash flows for specific counterparty allowances and the model assumptions and parameters are used in determining collective allowances.

5.1.2 Determining Fair Values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3f.1.3.2 For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

5.1.3 Critical Accounting Judgements made in Applying the Company's Accounting Policies
Financial Asset and Liability Classification

The Company's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

In designating financial assets or liabilities at fair value through profit or loss, the Company has determined that it has met one of the criteria for this designation set out in accounting policy 3f.

In classifying financial assets as held-to-maturity, the Company has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy 3f.

Details of the Company's classification of financial assets and liabilities are given in note 6.

NOTES TO THE FINANCIAL STATEMENTS

6 FINANCIAL ASSETS AND LIABILITIES

The table below sets out the Company's classification of each class of Financial Assets and Liabilities, and their Fair Values (excluding accrued interest).

2020	FV through Profit/Loss	Amortised Cost	Carrying Amount
Financial Assets			
Cash and Cash Equivalents	-	25,172,740	25,172,740
Investment	-	270,503,021	270,503,021
Loans and Advances	-	34,007,077	34,007,077
Others Assets	-	3,567,351	3,567,351
	-	333,250,189	333,250,189
Financial Liabilities			
Deposit from Customers	-	303,173,836	303,173,836
Other Liabilities	-	6,298,510	6,298,510
	-	309,472,346	309,472,346

NOTES TO THE FINANCIAL STATEMENTS

2019	**FV through Profit/Loss**	**Amortised Cost**	**Carrying Amount**
Financial Assets			
Cash and Cash Equivalents	-	29,871,194	**29,871,194**
Investment	-	195,164,536	**195,164,536**
Loans and Advances		32,452,181	**32,452,181**
Others Assets	-	19,930,231	**19,930,231**
	-	**277,418,142**	**277,418,142**
Financial Liabilities			
Deposit from Customers	-	**259,768,703**	**259,768,703**
Other Liabilities	-	8,063,829	**8,063,829**
	-	**267,832,532**	**267,832,532**

NOTES TO THE FINANCIAL STATEMENTS

		2020	2019
		GH₵	GH₵
7	**INTEREST INCOME**		
	Loans & Advances to Customers	**13,113,572**	8,712,566
	Investments	**32,825,690**	33,549,432
		45,939,262	**42,261,998**
8	**INTEREST EXPENSE**		
	Call Account	**6,538**	38,399
	Savings Account	**2,419,566**	2,235,509
	Fixed Deposit	**14,359,208**	15,028,504
	Reversals (Interest and penal charges)	**167,666**	-
		16,952,979	**17,302,412**

Included within various captions under Interest Income for the year ended 31 December, 2020 is a total of GH₵ Nil (2019: GH₵ Nil) accrued on Impaired Financial Assets.

Included within interest income on Investment Securities for the year ended 31 December, 2020 is GH₵ Nil (2019: GH₵ Nil) relating to Debt Securities Held to Maturity.

		2020	2019
9	**NET FEE AND COMMISSION INCOME**		
	Facility Fee	**1,098,336**	674,411
	Commission	**1,254,081**	1,830,606
	Fees from Other Services	**519,181**	337,232
		2,871,598	**2,842,249**

		2020	2019
10	**OTHER OPERATING INCOME**		
	Loan Recovery Income	**5,602,836**	1,147,231
	Investment Recovery Income	**10,539,523**	-
	Exchange Gain	**92,734**	9,413
	Others	**343,004**	258,492
		16,578,097	**1,415,136**

NOTES TO THE FINANCIAL STATEMENTS

		2020	2019
11	**PERSONNEL EXPENSES**	**GH₵**	**GH₵**
	Wages and salaries	**13,086,074**	11,473,073
	Social Security Cost	**958,587**	930,675
	Other Staff Cost	**82,124**	1,558,667
	Training	**54,960**	104,722
	Medical Expenses	**1,430,484**	1,151,566
		15,612,230	**15,218,703**
12	**OTHER OPERATING EXPENSES**		
	Directors' Emoluments	**360,488**	300,000
	Auditor's Renumeration	**88,594**	57,712
	Occupancy	**3,404,669**	3,441,245
	Depreciation	**2,298,039**	2,839,776
	Amortisation	**158,942**	274,960
	General & Administrative Expenses	**7,898,221**	6,582,161
		14,208,953	**13,495,854**
13	**IMPAIRMENT CHARGE**		
a	**Individual Allowance for Impairment**		
	Balance at January 1,	**-**	-
	Charge for the Year	**-**	-
	Balance at December 31,	**-**	**-**
b	**Collective Allowance for Impairment**		
	Balance at January 1,	**3,280,134**	2,618,821
	Amount Witten-off	**-**	-
	Charge for the Year	**4,165,002**	661,313
	Balance at December 31,	**7,445,136**	**3,280,134**
c	**Impairment on Other Financial Assets**		
	Balance at January 1,	**5,541,670**	-
	Impairment Reversed	**(5,541,670)**	-
	Charged for the Year	**1,645,260**	5,541,670
	Balance at December 31,	**1,645,260**	**5,541,670**
	Total Impairment Charge for the Year	**5,810,262**	**6,202,983**
	Balance at December 31,	**9,090,396**	**8,821,804**

NOTES TO THE FINANCIAL STATEMENTS

14 TAXATION

a Current Tax

Tax Years		Balance 1/1/2020 GH₵	Charge for the year GH₵	Other adjustment GH₵	Tax Paid GH₵	Balance 31/12/2020 GH₵
Up to 2018		(807,330)				**(807,330)**
2019		(170,255)	-	-	-	**(170,255)**
Prior Year Adjustment	**31**	-	-	**7,791**	-	**7,791**
		(977,585)	-	**7,791**	-	**(969,793)**
2020		-	**825,533**	-	**(475,687)**	**349,846**
		(977,585)	**825,533**	**7,791**	**(475,687)**	**(619,947)**

b National Fiscal Stabilisation Levy

	Balance 1/1/2020 GH₵	Charge for the year GH₵	Other adjustment GH₵	Tax Paid GH₵	Balance 31/12/2020 GH₵
UP to 2019	(132,680)	-	-	-	**(132,680)**
2020	-	**640,227**	-	**(442,930)**	**197,297**
	(132,680)	**640,227**	-	**(442,930)**	**64,617**

c Deferred Tax

	Balance 1/1/2020 GH₵	Charge for the year GH₵	Other adjustment GH₵	Tax Paid GH₵	Balance 31/12/2020 GH₵
2019	(379,285)	-	-	-	**(379,285)**
2020	-	(186,507)	-	-	**(186,507)**
	(379,285)	**(186,507)**	-	-	**(565,792)**

d Reconciliation of Effective Tax Rate

	2020 GH₵	2019 GH₵
Profit/(loss) Before Tax	**12,804,534**	**(5,700,569)**
Income tax thereon at the corporate tax rate of 25%	**3,201,133**	(1,425,142)
Other Income taxes	**640,227**	-
Tax effect of non-deductible expenses	**2,109,644**	1,054,012
Tax effect of capital allowance	**(368,928)**	(436,879)
Origination (reversal) of taxable temporary differences	**(186,507)**	1,303,581
Tax effect of other deductions	**(4,116,316)**	(214,303)
Current Income Tax Charge	**1,279,253**	**281,269**
Effective Tax Rate	**9.99%**	**-4.93%**

NOTES TO THE FINANCIAL STATEMENTS

15 EARNINGS PER SHARE

	2020	2019
Profit Attributable to Ordinary Shareholders	**GH₵**	**GH₵**
Net Profit for the Year	11,525,281	(5,981,838)
Weighted Average Number of Ordinary Shares	35,140,000	35,140,000
Issued Ordinary Shares at 1 January	-	-
Additional shares issued	-	-
Effect of Share Options Exercised	-	-
Weighted Average Number of Ordinary Shares at 31 December	**35,140,000**	**35,140,000**
	0.3280	**(0.1702)**

The Directors are unable to propose dividend in respect of the year ended 31 December, 2020 (December 2019: nil).

16 CASH AND BANK BALANCES

	2020	2019
Current and Call Accounts	**17,563,046**	23,374,097
Cash on Hand	**7,609,694**	6,497,097
	25,172,740	**29,871,194**

17 INVESTMENTS

	2020	2019
Fixed Deposits	**21,957,413**	195,164,536
Government of Ghana Bonds	**166,856,890**	-
Mutual Fund	**14,446,784**	-
Investments- T'Bills	**49,960,876**	-
Interest Receivable on Investment	**17,281,058**	-
	270,503,021	**195,164,536**

18 LOANS AND ADVANCES

	2020	2019
Business Loans	**33,191,333**	28,373,641
Overdrafts	**3,847,525**	2,760,707
Interest Receivable	**13,724,334**	9,324,884
Interest in suspense	**(9,561,675)**	(4,726,916)
Gross loans less interest in suspense	**41,201,517**	**35,732,315**
Impairment Loss	**(7,445,136)**	**(3,280,134)**
Reversal of Impairment Provision	**250,696**	**-**
Net Advances	**34,007,077**	**32,452,181**

Interest receivables and interest in suspense on loans and advances previously accounted for under other assets and other liabilities respectively have been reclassified under loans and advances.

NOTES TO THE FINANCIAL STATEMENTS

19 PROPERTY, PLANT & EQUIPMENT

a Property, Plant and Equipment

	2020			2019		
	COST/ VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE	COST/ VALUATION	ACCUMULATED DEPRECIATION	CARRYING VALUE
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Leasehold Property	**4,928,455**	**(3,134,310)**	**1,794,145**	4,148,670	(2,292,847)	1,855,823
Office Furn & Fittings	**3,214,037**	**(2,737,413)**	**476,624**	2,759,190	(2,561,455)	197,735
Motor Vehicles	**3,033,044**	**(2,378,392)**	**654,652**	3,167,599	(2,070,377)	1,097,222
Office Plant & Equipment	**5,394,911**	**(4,864,427)**	**530,484**	5,080,259	(4,377,096)	703,163
Computers	**1,981,171**	**(1,785,515)**	**195,655**	1,964,033	(1,440,289)	523,744
	18,551,618	**(14,900,057)**	**3,651,561**	**17,119,751**	**(12,742,064)**	**4,377,687**

b Reconciliation of opening Carrying Value with Closing Carrying Value

2020	Opening Balance	Addition	Transfer/ Disposal	Adjustment	Depreciation	Closing Balance
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Leasehold Property	**1,855,823**	**779,785**	**-**	**5,491**	**(846,954)**	**1,794,145**
Office Furn & Fittings	**197,735**	**454,847**	**-**	**-**	**(175,958)**	**476,624**
Motor Vehicles	**1,097,222**	**-**	**-**	**-**	**(442,570)**	**654,652**
Office Plant & Equipment	**703,163**	**314,652**	**-**	**-**	**(487,331)**	**530,484**
Computers	**523,744**	**17,138**	**-**	**-**	**(345,226)**	**195,655**
	4,377,687	**1,566,422**	**-**	**5,491**	**(2,298,039)**	**3,651,561**

c Reconciliation of opening Carrying Value with Closing Carrying Value

2019	Opening Balance	Addition	Transfer/ Disposal	Depreciation	Closing Balance
	GH¢	GH¢	GH¢	GH¢	GH¢
Leasehold Property	2,209,623	371,000	-	(724,800)	**1,855,823**
Office Furn & Fittings	612,254	5,800	-	(420,319)	**197,735**
Motor Vehicles	1,003,014	603,172	-	(508,964)	**1,097,222**
Office Plant & Equipment	1,401,725	188,094	-	(886,656)	**703,163**
Computers	758,952	65,546	(1,717)	(299,037)	**523,744**
	5,985,568	**1,233,612**	**(1,717)**	**(2,839,776)**	**4,377,687**

d Profit On Disposal of Property, Plant and Equipment

	2020	2019
	GH¢	GH¢
Gross book value	**134,555**	2,575
Accumulated depreciation	**(134,555)**	(858)
Net book value	**-**	**1,717**
Sales proceeds	**14,840**	3,650
Gain/(Loss) on disposal (Net)	**14,840**	**1,933**

NOTES TO THE FINANCIAL STATEMENTS

20 INTANGIBLE ASSET

	2020 GH¢	2019 GH¢
Cost		
Balance at January 1,	**2,130,212**	2,101,736
Additions	**105,059**	28,476
Balance at December 31,	**2,235,271**	**2,130,212**
Amortisation		
Balance at January 1,	**1,649,465**	1,374,505
Adjustment	**(5,676)**	-
Restated	**1,643,789**	**1,374,505**
Charge for the Year	**158,942**	274,960
Balance at December 31,	**1,802,731**	**1,649,465**
Net Book Value at December 31,	**432,540**	**480,747**

21 OTHER ASSETS

Interest Receivable	**696,811**	17,075,840
Other Debtors	**2,870,540**	2,854,391
Stock	**405,299**	287,941
Capitalised Expenditure	**2,120,801**	2,986,754
Prepayment	**1,761,550**	2,525,980
	7,855,001	**25,730,906**

22 CUSTOMER DEPOSITS

Current Account	**29,791,134**	32,523,773
Savings Account	**150,864,086**	118,754,153
Fixed Deposit	**122,518,616**	108,490,777
	303,173,836	**259,768,703**

23 OTHER LIABILITIES

Accruals	**943,875**	1,657,829
Interest Payable	**3,057,834**	5,191,062
Other Payable	**1,808,951**	853,999
Sundry Creditors	**487,850**	360,939
	6,298,510	**8,063,829**

NOTES TO THE FINANCIAL STATEMENTS

23 SHAREHOLDERS FUND

a Stated Capital

The Stated Capital of the Company consists of proceeds from issue of shares for cash or other consideration transfer from retained earnings to capital.

Number of authorised shares of no par value		**10,000,000,000**		
	2020		**2019**	
Issued and Fully Paid	**Number**	**Proceeds GH¢**	**Number**	**Proceeds GH¢**
Issued for Cash Consideration	**35,140,000**	**35,140,000**	**35,140,000**	**35,140,000**
Issued for Consideration Other than Cash				
Capitalisation Issues	**-**	**-**	-	-
	35,140,000	**35,140,000**	**35,140,000**	**35,140,000**

b Statutory Reserve

Statutory reserve represents the cumulative amount set aside from annual net profit after tax as required by the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

c Credit Risk Reserve

To cater for any shortfall between the Bank of Ghana's credit loss provision requirements and loans and advances Impairments based on IFRS principles, a charge or credit is made to retained earnings in respect of the difference required to adjust the cumulative provision to the level required under the Bank of Ghana regulations and IFRS 9-Financial Instruments: Recognition and Measurement.

	2020	**2019**
	GH¢	**GH¢**
IFRS impairment	**7,445,136**	**8,821,804**
Bank of Ghana provision	**(11,674,566)**	(9,989,155)
Total	**(4,229,430)**	**(1,167,351)**

An amount of **GH¢ 1,416,819** is posted to Credit Risk Reserve for the year (2019: **GH¢ 1,023,437**).

Credit risk reserve is not available for distribution as dividend and inclusion in the adjusted capital base for purposes of Capital Adequacy Ratio (CAR) computation.

NOTES TO THE FINANCIAL STATEMENTS

24 RELATED PARTIES

i Transactions with Key Management Personnel

Key management personnel have transacted with the Company during the year as follows:

Key management personnel compensation for the year comprised:

	2020	2019
	GH¢	GH¢
Key Management Compensation	1,712,614	1,455,722
Board of Directors Emolument	360,488	300,000
	2,073,102	1,755,722

The Company does not have any share option policy in place for its executive officers.

ii Loans and Advances to Key Management Personnel	2020	2019
	GH¢	GH¢
Balance at 1st January	589,745	123,145
Loans advanced during the year	469,384	466,600
Loans repayments received	(520,306)	-
Balance at 31st December	538,823	589,745

The mortgage and secured loans granted are secured over properties of the respective borrowers.

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel.

	2020	2019
iii Transaction with Related Companies (Deposits)	65,437,239	-
iv Balances Due to Related Parties (Deposits)	3,017,440	2,298,430

NOTES TO THE FINANCIAL STATEMENTS

25 NEW AND AMENDED STANDARDS AND INTERPRETATION

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the Company's Financial Statements. The following new or amended standards are not expected to have a significant impact on the Company's Financial Statements.

a. Amendments to clarify the definition of a business (IFRS 3- Business Combination).

b. Amendments regarding pre-replacement issues in the context of the IBOR reform (IFRS 7- Financial Instrument Disclosure, IFRS 9- Financial Instruments)

c. Amendments regarding the definition of material (IAS 1- Presentation of Financial Statements, IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors).

d Covid-19 related rent concession

Covid-19 related rent concession (Amendments to IFRS 16): This amendment allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that applies the exemption accounts for COVID-19-related rent concessions as if they were not lease modifications. The amendment has no impact on the Bank and its Group financial statements.

NOTES TO THE FINANCIAL STATEMENTS

26 VALUE ADDED STATEMENTS

Value added statements for the year ended 31 December 2020

	2020	2019
	GH¢	GH¢
Interest earned & other operating income	62,517,359	43,677,134
Direct cost of services	(28,344,463)	(27,383,530)
Value added by Core Lending services	34,172,896	16,293,604
Non-lending income	2,871,598	2,842,249
Impairments	(5,810,262)	(6,202,983)
Value added	31,234,233	12,932,870
Distributed as follows;		
To employees;		
Directors (without executives)	(360,488)	(300,000)
Executive directors	(1,712,614)	(1,455,722)
Other employees	(13,899,616)	(13,762,981)
To Government;		
Income tax	(1,279,253)	(281,269)
To providers of capital;		
Dividend to shareholders	-	-
To expansion and growth;		
Depreciation	(2,298,039)	(2,839,776)
Amortisation	(158,942)	(274,960)
Retained earnings	11,525,281	(5,981,838)

NOTES TO THE FINANCIAL STATEMENTS

		2020	2019
27	**ADDITIONAL DISCLOSURES**	**2020**	**2019**
	Capital adequacy ratio (CAR)	**22.65%**	**8.20%**
	Non-performing loans (amount & ratio)		
	Gross loans	**41,201,517**	35,732,315
	Non- performing loans	**12,328,659**	12,038,217
	Non-performing loans Ratio	**29.92%**	33.69%
	Amounts written off	**-**	-
	Liquid ratio	**98%**	87%
	Credit risk reserve, if any	**4,229,430**	1,167,351
	Statutory Liquidity breaches	**None**	None
	Non compliance with other prudential requirements	**None**	None

Year-end mid-rates used for foreign exchange translations Foreign currency

	31/12/2020	31/12/2019
United states Dollar	**5.7602**	5.5337
Great Britain Pound	**7.8742**	7.3164
Euro	**7.0643**	6.2114

28 LIST OF RELATED PARTIES

a Members of the board (Non-Executive Directors):

Mr. Isaac Emmil Osei-Bonsu	Board Chairman (Appointed in November 2020)
Mr. Ernest Ofori Sarpong	Board Chairman (Resigned in September 2020)
Mr. Ernest Ofori Sarpong	Non-Executive Director
Mr. Philip Odei Asare	Managing Director
Mr. Daniel Asare-Mintah	Non-Executive Director
Mr. Kwadwo Danso-Dodoo	Non-Executive Director
Mr. Osei Kwame	Non-Executive Director (Resigned in September 2020)
Mr. Kennedy Asante Osei	Non-Executive Director (Appointed in November 2020)

b Executive Director

Philip Odei Asare	Managing Director (Deceased in January 2021)

c Key Management Personnel

Name	Designation
Philip Odei Asare	Managing Director (Deceased in January 2021)
James Okrah	General Manager, Finance & Human Resources
Isaac Bafour Awuah	Head, Internal Audit
Martey Ago Mensah	Head, Risk and Compliance
Millicent Odoi	Head, Legal & Administration
Jacob Idan	Marketing Manager
Eric Badu	Credit & Bus. Dev't Manager
Constant Ekow Takyi	Credit Risk Manager
Mark Kyei Darko	Acting Head, Banking Operations

d List of Shareholders

The shareholders of the Company are:

	No. of Shares	Percentage
Ernest Ofori Sarpong	17,570,000	50.00%
Kwame Osei	17,570,000	50.00%
	35,140,000	**100.00%**

29 DIVIDEND PER SHARE

At the company's Annual General Meeting to be held, no dividend in respect of the year ended 31st December, 2020 will be proposed (December 2019: No dividend was paid).

30 CAPITAL EXPENDITURE COMMITMENT

There were no capital expenditure commitment at the end of the year (2019: Nil)

31 PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to misstatement in the opening balances of current tax assets, accumulated depreciation balances of leasehold property, and intangible assets.